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SUBJECT: Six-months Report on Mutual Security Operations.

The Mutual Security Program in Libya continues to be restricted to TCA Point IV activities. The United States Air Base at Wheelus Field, Tripoli is a separate establishment of the Department of Defense and does not form part of the Mutual Security Program as far as Libya is concerned.

In the past six months, Point IV activities in Libya have made satisfactory progress in meeting the objectives of the various programs of technical assistance entered into under agreements with the Libyan Government. It is not easy to judge how effective the success in execution of these programs has been in meeting the broader objectives of the United States policy in Libya.

From all indications, however, it appears that these programs have generally tended to improve basic understanding between Libyans and Americans, though frictions have developed in some instances, derived from conflict of personalities and not disagreement over programs of action. Nothing, at present, indicates that political stability has been prejudiced or that over-all relations between the United States and Libya have been handicapped by our technical assistance efforts. On the contrary, there is every reason to believe the relations have been strengthened and that the program has been satisfactory insofar as basic policies are concerned.

Libya's financial difficulties stemming from the country's inability to determine federal and provincial budgets until the extent of foreign subsidies is known, have made it impossible at times for Libya to live up to all phases of her commitments to support the Point IV program. This failure has not seriously handicapped the program, however.

Libya's ability to move toward self-help is greatly restricted by the country's heavy dependence on foreign aid. Furthermore, its principal province, Tripolitania, has been undergoing a commercial and private financial crisis which has resulted from a number of factors, some of which are: poor grain harvests, reduction in works at the United States Air Base, over-stocking of imported consumers goods when import controls were relaxed at the beginning of the year, and uncertainties as to the volume of public funds available for works as a result of the lack of knowledge as to the extent of foreign aid. In consequence of this crisis and to overcome some of its causes, as well as to minimize some of its effects, there may be special requests for assistance this year. The need for special aid will

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will be reduced if Libya reaches agreement soon in its bilateral negotiations with the United States and Great Britain. United States contributions to Libya, to be derived from the bilateral negotiations, are expected to be separate from grants for the execution of the Point IV program.

To obtain the best results from the program of technical cooperation, it is believed desirable to have grant funds available to perform certain works and/or conduct special demonstrations. The danger in this, and indeed in the entire program of technical assistance, as the Director of Mutual Security is well aware, lies in knowing when and how to cut off or taper off technical aid programs and grants. At the cut-off or taper-off time there is likelihood of critical reaction and considerable care must be exercised in order to prevent the program from deteriorating to the point where it will back-fire and, insofar as our basic policy objectives are concerned, void all the painstaking and costly efforts that have gone into it.

Possibly the best way to prevent unfavorable reaction is to assist with the creation and the strengthening of local organizations designed to carry on work which has been initiated and which eventually can be sustained from regular revenues of the country. Any effort of this nature, however, is handicapped by reason of Libya's poverty in natural resources and manpower.

Failure of Libya to find support for her economic and social endeavors in Western countries will undoubtedly drive her toward Egypt and other countries of the Arab world and provide anti-west groups among the Arabs with additional arguments around which to rally their supporters and attract new adherents.

Another danger in the Libyan program, and this must also apply in many other areas, is that because of the limited resources of the country, a rapid rise in the educational level of Libyans is likely to result in stimulation of appetites without commensurate stimulation of local production. If this does indeed happen, there is a proppective danger of communism becoming a menace in the country by reason of our aid and educational programs, unless friendly western countries are prepared to continue pouring funds into the country to make up the deficiencies in domestic production, which, though undoubtedly stimulated by our technical assistance, is likely not to keep up with the stimulation of desires of individuals. If there existed a strong feeling of national destiny, the stimulation of these desires could be worked for a common good, but without such a feeling (and none is apparent in Libya), individual opportunism is likely to spring up and become perverted.

Though these items do not describe in detail the success or accomplishments of the Point IV program, they are considered to be of sufficient importance in regard to our over-all objectives to be worth mentioning at this stage of our relations with Libya. They emphasize the necessity of continued help from the United States to Libya and the delicacy of the problem of reducing or stopping this help.

Henry S. Villard

cc: AmConsulate, Benghazi